

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 8325

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EO 11652 NA

TAGS ECON ELAB CA

SUBJ ANTI-INFLATION BILL BECOMES LAW

1. FOLLOWING EARLIER PASSAGE BY THE SENATE, THE ANTI-INFLATION LEGISLATION WENT INTO EFFECT DEC. 15 AFTER HAVING RECEIVED ROYAL ASSENT. DETAILED REGULATIONS, ANXIOUSLY AWAITED BY BUSINESS, TRADE UNIONS AND PROVINCIAL GOVERNMENTS, WILL PROBABLY BE ISSUED NEXT WEEK.

2. IN WAKE OF CABINET'S REVERSAL OF ANTI-INFLATION BOARD'S REJECTION OF THE POSTAL SETTLEMENT (SEE OTTAWA 4665) BOTH OPPOSITION PARTIES ACCUSED THE GOVERNMENT OF DESTROYING THE CREDIBILITY OF AIB WHILE CANADIAN LABOUR CONGRESS AND POWERFUL STEEL AND AUTO WORKERS UNIONS CALLED FOR BOARD CHAIRMAN PEPIN'S RESIGNATION. IN APPARENT MOVE TO SHOW BOARD'S DETERMINATION TO CONTROL NOT ONLY EXCESSIVE WAGE INCREASES BUT ALSO PRICES, PEPIN YESTERDAY ORDERED 117 MAJOR FIRMS TO NOTIFY AIB AT LEAST 30 DAYS PRIOR TO INSTITUTING PRICE INCREASES AMOUNTING TO 2 PERCENT OR MORE PER YEAR IN GROSS REVENUE OF A PRODUCT. AFFECTED FIRMS INCLUDE PRODUCERS OF CONSUMER GOODS EXCEPT FOOD CHAINS OR DEPARTMENT STORES AND MANUFACTURERS OF "ECONOMICALLY UNCLASSIFIED

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STRATEGIC ITEMS" SUCH AS STEEL, ALUMINUM, PULP AND

PAPER, VEHICLES AND PARTS, CEMENT, PLASTICS AND
CHEMICALS. AIB CAN DISALLOW PROPOSED INCREASES OR
ROLL PRICES BACK IF SUBSEQUENT EXAMINATION OF A FIRM'S
FINANCIAL STATEMENT SHOWS NON-COMPLIANCE WITH GUIDELINES.
COUNTERING CRITICISM THAT AIB DECISIONS HAVE SO FAR
BEEN SHROUDED IN SECRECY, PAPIN ANNOUNCED THAT ALL
FORMAL RULINGS OF THE BOARD WILL BE MADE PUBLIC.
LEARY

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